

Message Text

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ACTION ARA-10

INFO OCT-01 EA-06 ISO-00 AID-05 CIAE-00 COME-00 EB-07

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SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 L-03 INT-05 NSC-05

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 1698

INFO AMEMBASSY LIMA

C O N F I D E N T I A L TOKYO 9670

E. O. 11652: GDS

TAGS: EGEN EMIN JA PE

SUBJ: MARCONA NATIONALIZATION, THE JAPANESE CONNECTION

REF: STATE 165400

1. ON JULY 17 MARCONA CORPORATION PRESIDENT DONLIN P. MURDY CALLED ON AMBASSADOR HODGSON TO DISCUSS HIS COMPANY'S SITUATION IN PERU AND HIS CONTACTS WITH JAPANESE BUYERS OF IRON ORE .74\$6 2- -:9- MPANIED BY SENIOR V.P. W. W. BILHORN, V.P. GLEN H. FUKUDA, AND A. S. IKI, MARCONA'S RESIDENT MANAGER IN TOKYO.

2. MURDY OUTLINED HISTORY OF MARCONA CONCESSIONS IN PERU GOING BACK TO 1952 AND DESCRIBED EFFORTS OF HIS FIRM TO NEGOTIATE A NEW ARRANGEMENT WHICH WOULD MEET NEEDS OF PERUVIANS WHILE PRESERVING A FAVORABLE POSITION FOR MARCONA. HE SAID THAT MARCONA SHIPS BETWEEN 10 AND 11 MILLION TONS OF ORE PELLETS AND SLURRY YEARLY, HALF TO JAPAN, ONE-THIRD TO THE U.S., AND THE REST TO EUROPE. CONTRARY TO ASSESSMENT IN REFTEL THAT JAPANESE HAVE MAINTAINED A "HANDS OFF" POLICY TOWARD MARCONA NATIONALIZATION, MURDY SAID THAT THE JAPANESE HAD TOLD PERUVIAN OFFICIALS THAT THEY WOULD CONTINUE TO BUY ORE FROM PERU, IF DELIVERY TERMS AND CONDITIONS WERE UNCHANGED. MURDY SAID HE HOPED TO CONVINCE JAPANESE TO ADOPT A POSITION MORE FAVORABLE TO HIS INTERESTS.

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FAVORABLE TO HIS INTERESTS.

3. AMBASSADOR TOLD MURDY THAT GOJ IS GUIDED IN GENERAL FOREIGN POLICY BY TWO BASIC PRINCIPLES; FIRST, MAINTAIN STRONG TIES WITH THE U.S. AND, SECOND, MAINTAIN FRIENDLY TIES WITH ALL OTHER COUNTRIES, PARTICULARLY THOSE WHICH CAN SUPPLY VALUABLE RAW MATERIALS OR MARKETS. ACCORDINGLY THE JAPANESE WOULD IN THIS CASE HESITATE TO TAKE ANY ACTION WHICH MIGHT OFFEND PERU. HE WENT ON TO ASK MURDY WHAT NEGOTIATING LEVERAGE MARCONA MIGHT HAVE TO INFLUENCE SITUATION.

4. MURDY SAID THAT ABOUT 20 PERCENT OF ITS ORE SENT FROM PERU TO JAPAN IS IN SLURRY FORM FOR WHICH NIPPON STEEL HAS BUILT A SPECIAL PROCESSING PLANT AND WHICH MUST BE CARRIED IN SPECIALIZED SHIPS WOUNDED ONLY BY MARCONA. HE ALSO SAID THAT PERUVIANS MIGHT HAVE DIFFICULTY MEETING SHIPPING SCHEDULES TO JAPAN IN MARCONA MANAGEMENT WERE WITHDRAWN, AND THAT ECONOMIC VIABILITY OF ENTIRE PERUVIAN OPERATION WOULD BE LOST UNLESS PERUVIANS COULD PRESERVE, NOT ONLY JAPANESE MARKETS, BUT ALSO MARKETS IN U.S. AND EUROPE. ALTHOUGH ORE DEMAND GLOBALLY IS SOFT AT THIS TIME AND JAPANESE COULD REPLACE SUPPLIES FROM PERU, COST WOULD BE HIGHER.

5. AMBASSADOR OBSERVED THAT MARCONA DID SEEM TO HAVE A DEGREE OF BARGAINING CLOUT, BUT RECOGNIZED IN SOME AREAS MARCONA'S POSITION WAS NOT STRONG. IN OTHER CASES MANAGEMENT PROBLEMS, FOR EXAMPLE, HAD BEEN NOT RESULTED BY NATIONALIZING COUNTRIES. HE EXPRESSED APPRECIATION FOR MURDY'S INFORMATION AND SAID THAT HE WOULD DISCUSS IT INFORMALLY WITH NIPPON STEEL PRESIDENT NAGANO WHEN HE NEXT SAW HIM. HE ADDED THAT WE COULD ALSO RAISE THE CASE WITH THE FOREIGN MINISTRY AND CONFIRM OUR ALREADY WELL-KNOWN POSITION ON NATIONALIZATION TO THE JAPANESE. HE CAUTIONED MURDY, HOWEVER, TO RECOGNIZE THAT THE JAPANESE WOULD BE MAKING THEIR OWN DECISIONS AND WOULD NOT FOLLOW ADVICE FROM US IF THEY SEE THEIR OWN INTERESTS DIFFERENTLY.

6. MURDY EXPRESSED APPRECIATION FOR THE AMBASSADOR'S INTEREST AND SUPPORT AND SAID HE WOULD KEEP THE EMBASSY INFORMED THROUGH HIS TOKYO REPRESENTATIVE OF ANY NEW DEVELOPMENTS.
HODGSON

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